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Submitted in Econ. Dev. Committee

Council File No: 14-1371

Item No.: 1

~~Item~~ Communication
from the public



May 29, 2015

The Honorable Curren D. Price, Jr.
Chair of the Economic Development Committee
City of Los Angeles
200 N. Spring St.
Los Angeles, CA 90012

Re: CITYWIDE MINIMUM WAGE INCREASE – CF#14-1371

Dear Councilmember Price and Members of the Economic Development Committee;

On behalf of the members of the California Restaurant Association, I am writing to oppose an exclusion for labor unions from the proposed citywide minimum wage increase.

Unions have spent the last eight months advocating for a minimum wage increase for ALL workers – arguing that NO one should get left out and no group should receive special treatment. Now suddenly they recognize the need for exclusions in certain situations. They say they are requesting their own exemption so that they have ability to negotiate wages that work for union employees and business owners. Why should labor have the opportunity to negotiate for mitigating measures while the rest of the business community does not?

This last minute request is a classic bait and switch by organized labor to increase union membership. An exemption for unions from the minimum wage ordinance will give labor the ability to organize large business and negotiate mitigating measures into those contracts while small businesses will feel the full impact of a minimum wage increase, with no mitigation.

The restaurant industry has suggested several solutions that we believe are vital to the success of any minimum wage increase in our industry. Now the union is actually agreeing with us, in requesting an exclusion from the minimum wage requirement so they can negotiate contracts where they consider the total benefits an employee receives towards their wage. This is their version of total compensation. To be clear, labor is suggesting they negotiate their own collective bargaining agreements to include a total compensation model. The difference however is that the union concept would allow employers to pay union workers a “sub-minimum wage”. The CRA, on the other hand, have NEVER suggested that. The total compensation proposal we asked you to consider always guaranteed all workers would earn MORE than the



City minimum wage. **If the City Council provides the union an exemption for collective bargaining agreements, you will be harming the very workers you set out to protect.**

As you moved forward with your review of the minimum wage ordinance we ask that you reconsider the following targeted suggestions that would allow the restaurant community to continue to employ thousands of people within the City of Los Angeles.

(1) Total Compensation Model:

We are suggesting a “total compensation” framework where employees whose total taxable and verifiable compensation is greater than the proposed local minimum wage would not receive the city minimum wage increase. This proposal would use the state minimum wage as the earnings floor, plus other taxable and employer-verified income as defined by the State of California. It would not be a “tip credit” or “sub-minimum wage” as some have inaccurately portrayed. To the contrary, we are suggesting a minimum guarantee of \$15.00 in total hourly compensation for those tipped workers who would not qualify for the LA wage increase under this model. If an employee does not make that earnings threshold, then the employer would be obligated to pay them the city minimum wage. It is an option only, but gives maximum flexibility to target the wage increases to those most in need rather than forcing the new minimum wage onto the most highly compensated people in the restaurant.

Incorporating this solution would allow the restaurant community to use finite labor dollars to benefit those employees who are bringing home a salary based on wages alone and are most in need of additional compensation. Without such a provision, it is inevitable that the enactment of a LA specific super minimum wage will cause a reduction in available work hours and jobs for restaurant employees.

We have presented multiple legal opinions that indicate that the City does have a path forward on such a model and we encourage you to continue consideration of this proposal.

(2) Broadening of the Training or Youth Wage:

The teen wage included in the proposed ordinance is a good start, but falls short of being a robust and effective pathway for youth to enter the workforce. It should provide the state minimum wage to these individuals and be structured as a youth wage to apply to individuals that are 14 to 20 year olds. The restaurant community has long been an entry point for many young people into the job market. In fact nearly half of all adults have worked in the restaurant community at some point during their lives and more than one out of four adults has their first job in a restaurant. Many of our young employees are unskilled, unexperienced and looking for a part-time opportunity while they are in school. For many years the restaurant community has hired and trained these first time employees knowing that more than half will decide to leave their positions soon after being hired. Despite this risk the restaurant community continues to employ our youth because they recognize their role in our communities and their unique ability to provide our youth with the skills and opportunity for growth.



We propose that the LA minimum wage expand the exemption for teenagers (without dependents) and establish a youth wage that applies to individuals 20 and under. Without such a provision, youth unemployment will be greatly exacerbated within the City of LA.

(3) Phase It In with Triggers

We believe that the wage increase should be in the form of a gradual increase over time with built-in triggers to review any possible negative impact on business and employment levels. This would allow for not only review, but adjustments to the wage structure if needed. The proposal before you is TOO MUCH, TOO FAST, with no build in ability to slow it down if necessary.

The state minimum wage was just increased in July 2014 and will go up again to \$10 per hour in January 2016. The restaurant community is characterized by razor-thin profit margins that range between three to five percent in a strong economy. Our members are busy working on ways to absorb the State increases, maintain their workforce and continue to price their product so that it is affordable to their consumer. We propose that the Los Angeles increase be gradual and stepped based on a thoughtful and reflective analysis process that would allow for regular evaluation of any negative economic impact on local business.

The restaurant industry has been directly engaged as a productive partner and offering solutions in the minimum wage discussion since last Fall. It is very discouraging that after all of this cooperative work we are faced with a wage increase that excludes an employees' total compensation, limits teen employment, and does not provide the ability to stop if and reflect if there are negative impacts on the economy. The minimum wage policy being proposed is not a win-win for our hard working employees and the restaurant community.

Respectfully Submitted,



Matt Sutton
Vice President, Government Affairs and Public Policy
California Restaurant Association

